



## **MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

For the meeting held on  
Tuesday, September 29, 2009  
980 9<sup>th</sup> Street, Conference Center, 2<sup>nd</sup> Floor  
Sacramento, California 95814

Chairwoman Marjorie Berte called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:30 p.m.

### **1. Call To Order and Roll Call.**

The following Board members were in attendance:

Marjorie Berte represented the Secretary of the Business, Transportation and Housing Agency.

Leslie Lopez represented the Secretary of the State and Consumer Services Agency.

Tom Sheehy, represented the Director of the Department of Finance.

Francisco Lujano represented the State Treasurer.

D. Everett Rice, Governor's appointee.

The following I-Bank staff members were in attendance:

Stanton C. Hazelroth, Roma Cristia-Plant, Molly Arnold, and Paula Connors.

### **2. Executive Director's Report.**

Executive Director, Stan Hazelroth presented the Executive Director's Report and stated the following:

- I-Bank staff issued an Amended and Restated Request for Qualifications (RFQ) for Bond Counsel/Disclosure Counsel for Pooled Bond Issuances to clarify that the scope of work also included disclosure counsel work, and also issued an Amended and Restated RFQ for Special Counsel as directed by the Board at last month's meeting. Staff expects to bring recommendations for both RFQ's to the Board for approval in October.
- The proposed \$480 million exempt facility financing for the Poseidon desalination project in San Diego County is scheduled for California Debt Limit Allocation Committee (CDLAC) allocation consideration on October 22nd. The outstanding issue is the need for a firm credit enhancement commitment. If CDLAC approves, the project is expected to be considered by the Board on November 17th.
- Mr. Hazelroth executed an inducement certificate for All Sato Kreis Holding, LLC, a California limited liability company in anticipation of issuance of industrial development bonds to finance and refinance the acquisition of land, two commercial buildings and equipment in Stockton to be leased to Kennfoods USA in the manufacture of nut products. The project is on this agenda.
- The United States District Court, Eastern District has continued the pretrial conference to December in the Copia Claims, LLC federal securities law litigation. The I-Bank's response is not due until mid-January, 2010. A confirmation hearing regarding the Copia bankruptcy is scheduled for the end of October. There will be no effect on the 1999 bonds if the plan is approved. The 1999 bonds are scheduled to be paid in full December 1, 2009. The approval of the plan will result in the real estate security being held in trust for the holders of the 2007 bonds.

- An oral argument is scheduled in the Third District Court of Appeals before the next board meeting for the Hollywood Park case. A closed session will be scheduled to discuss the results of that hearing with the Board.

**Consent Items:**

**3. Approve minutes from the meeting held on August 25, 2009.**

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve this consent item. Mr. Sheehy moved to approve the minutes and Mr. Rice seconded the motion. The minutes were unanimously approved.

**Action Items:**

**4. Resolution No. 09-38 approving the sale, issuance and delivery of tax-exempt industrial development bonds for All Sato Kreis Holding, LLC and/or related party, in an amount not to exceed \$2,500,000 to finance the acquisition, improvement, equipping and general development of an economic development facility in Stockton, CA.**

Ms. Connors presented a staff report describing the request to approve the sale of tax-exempt industrial development bonds for All Sato Kreis Holding, LLC and/or related party, in an amount not to exceed \$2,500,000 to finance the acquisition, improvement, equipping and general development of an economic development facility in Stockton. Ms. Connors explained that the application was submitted by All Sato Kreis on behalf of Kennfoods which is associated with All Sato Kreis. She confirmed that total project costs are \$3.6 million, with \$2.5 million in proposed industrial development bonds to finance the acquisition, construction, development and equipping of two structures, land and equipment located in an Enterprise Zone to operate a nut processing business. She then introduced Mr. Bill Lofton, bond counsel.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-38. Mr. Sheehy moved to approve the resolution and Ms. Lopez seconded the motion. The Board unanimously approved the resolution.

**5. Resolution No. 09-39 approving amendments of certain documents in order to provide additional security related to the California Infrastructure and Economic Development Bank Variable Rate Demand Refunding Revenue Bonds (Los Angeles County Museum of Natural History Foundation), issued on April 29, 2008 in the amount of \$89,790,000 to finance an economic development project in the County of Los Angeles.**

Ms. Connors presented a staff report describing the request to approve amendments of certain documents in order to provide additional security related to the California Infrastructure and Economic Development Bank Variable Rate Demand Refunding Revenue Bonds (Los Angeles County Museum of Natural History Foundation), issued on April 29, 2008 in the amount of \$89,790,000. Ms. Connors described the original financing for the project and the related

interest rate swap, and that the bond proceeds were used to seismically retrofit and renovate the historic 1913 Natural History Museum building along with the creation of state-of-the-art galleries and exhibits. She also indicated that the 2007 bonds were subsequently refunded in 2008. She then apprised the Board that the amendments are being requested by the borrower to allow the Foundation (i) to add an additional letter of credit by US Bank National Association (Parity Credit Provider) in place of the cash security requirement for the 2007 Swap and (ii) to add additional requirements as requested by the rating agencies in order to change the rating to a joint rating, resulting in a slightly higher rating on the 2008. Ms. Connors introduced Sean Tierney, bond counsel from Hawkins, Delafield & Wood.

Chairwoman Berte called for questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-39. Mr. Rice moved to approve the resolution and Mr. Sheehy seconded the motion. The Board unanimously approved the resolution.

**6. Resolution No. 09-40 approving amendments extending the term of special counsel contracts (with Stradling, Yocca Carlson & Rauth, Orrick, Herrington & Sutcliffe LLP, and Hawkins, Delafield & Wood LLP).**

Ms. Cristia-Plant presented a staff report requesting approval of amendments extending the term of special counsel contracts with Stradling, Yocca Carlson & Rauth, Orrick, Herrington & Sutcliffe LLP, and Hawkins, Delafield & Wood LLP from September 30, 2009 to December 31, 2009. She reported that no additional funding is required, and that the extension will allow staff sufficient time to complete the revised Special Counsel RFQ process for the selection of new special counsel firms under contract as directed by the Board at last month's meeting. Ms. Arnold clarified for Ms. Lopez that the current contracts do not contain a termination provision that would permit termination of the extended contracts upon authorization of new special counsel contracts.

Chairwoman Berte called for any additional questions or comments from the Board or the public. Hearing none, she entertained a motion to approve Resolution No. 09-40. Mr. Sheehy moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

**7. Discussion of Status Report on the Preliminary Loan Guarantee Commitment approved for the Imperial Irrigation District (IID) on June 27, 2003, and the status of the IID's request for approval of a final Loan Guarantee, and discussion related thereto.**

Mr. Hazelroth gave a report on the current status of the progress of the Imperial Irrigation District's request of the I-Bank to issue a final loan guarantee. Mr. Hazelroth summarized the written staff report presented to the board and conveyed that the I-Bank's 2003 approval of a Preliminary Guarantee to IID facilitated the execution of the Quantification Settlement Agreement (QSA), which resolved then current California usage issues involving Colorado River water. Mr. Hazelroth also discussed IID's requirements under the QSA and other related agreements to construct water conservation improvements, the district's planning efforts over the

past six years, that the district has submitted an application to the I-Bank for a final guarantee, and that staff is currently reviewing the application.

Mr. Hazelroth then introduced IID's financial advisor, Dan Hartman of Public Financial Management, and bond counsel, Danny Kim of Fulbright & Jaworski. Mr. Hazelroth confirmed for Mr. Sheehy that the funds in the Guarantee Trust Fund are to be used only to guarantee a loan to IID, have been invested in the State's Surplus Money Investment Fund for the last six years, and that staff can look into other investments yielding a higher return in the future consistent with provisions in the IID bond indenture should the Board approve a final guarantee. Mr. Lujano expressed a concern regarding the I-Bank's reserve account requirement and an implied moral obligation to continually fund up to the reserve requirement in the event of a default on the bonds beyond the amount of guarantee funds currently available, and that such an obligation could impact the State's credit rating. Ms. Arnold discussed the term "moral obligation" as it is applied in California, and assured the Board that she would report back on the statutory provisions of the reserve requirement at the October Board meeting. Ms. Arnold also confirmed that the application and proposed guarantee terms are still being reviewed by staff.

Chairwoman Berte called for questions or comments from the Board or the public, there was none.

**Other Non-Action Business.**

Chairwoman Berte called for any other non-action business, there was none.

**Public Comment.**

Chairwoman Berte called for any public comment, there was none.

**Adjournment.**

Chairwomen Berte declared the meeting adjourned at approximately 2:15 p.m.